

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4670-01  
Bill No.: HB 1175  
Subject: Housing; Revenue Department; Tax Credits; Taxation and Revenue - Income  
Type: Original  
Date: January 17, 2014

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Bill Summary: This proposal would authorize a one time income tax deduction to a taxpayer for the cost of construction or \$5,000, whichever is less, of a storm shelter that was made in America.

**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0	0 to (\$120,000)	0 to (\$120,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>0 to (\$120,000)</b>	<b>0 to (\$120,000)</b>

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

#### **Deduction for Storm Shelter Cost: Section 143.115, RSMo**

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules** assume this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would not result in a fiscal impact to their organization.

BAP officials assume this proposal would create a tax deduction for the costs incurred for the construction of a qualifying storm shelter. The aggregate amount of deductions allowed would be \$2 million per fiscal year. At the 6% maximum marginal income tax rate, this proposal could reduce Total State Revenue by up to \$120,000 annually.

Officials from the **Department of Public Safety - State Emergency Management Agency** assume this proposal would have no fiscal impact on their organization.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** assume this proposal would allow taxpayers a deduction for the cost of constructing a storm shelter. The deduction would be limited to the lesser of the costs incurred or \$5,000. The aggregate amount of deductions would be limited to two million dollars.

Fiscal impact

DOR officials noted this proposal could have a negative impact on Total State Revenue. If \$2 million in deductions are claimed, tax revenues would be reduced by approximately \$120,000.

Administrative impact

DOR officials assume Personal Tax would be required to make form revisions and programming changes for the deduction. Personal Tax would require need two additional Temporary Tax Employees for key entry and two additional Revenue Processing Technicians for error correction and correspondence. Also, Collections and Tax Assistance (CATA) would require two additional Tax Collection Technicians for contacts on the delinquent and non-delinquent tax lines and one additional Revenue Processing Technician for contacts to the field offices. DOR officials assume all technicians would require CARES equipment.

The DOR response included the two additional Temporary Tax employees and five additional FTE, and with equipment and expense totaled \$214,262 for FY 2015, \$222,530 for FY 2016, and \$224,838 for FY 201.

**Oversight** notes this proposal would provide a maximum deduction for an individual filer of five thousand dollars with an aggregate maximum of two million dollars in deductions allowed each state fiscal year. The maximum overall revenue reduction for this proposal would be  $(\$2,000,000 \times 6\%) = \$120,000$  per year. The deduction would be limited to  $(\$5,000 \times 6\%) = \$300$  per filer and would be available on a first-come, first-served basis. Oversight assumes that up to  $(\$2,000,000 / \$5,000) = 400$  filers would be able to claim the deduction each fiscal year.

ASSUMPTION (continued)

**Oversight** could not find any information regarding the cost of a storm shelter nor the number of storm shelters constructed in Missouri. However, based on the limited amount of deductions available and the limited number of filers who could use this deduction, Oversight assumes these claims could be processed with existing resources. If unanticipated additional costs are incurred or if multiple proposals are implemented which increase the DOR workload, resources could be requested through the budget process.

IT impact

Officials from the Department of Revenue also provided an estimate of the IT impact to implement this proposal of \$13,759 based on 504 hours of programming to make changes to DOR systems.

**Oversight** assumes OA - ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA - ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA - ITSD (DOR) could request funding through the appropriation process.

**Oversight** will indicate a range of fiscal impact to the General Revenue Fund from \$0 (no deductions claimed) to \$120,000 (the effective program cap). The deduction would be available for tax years beginning on or after January 1, 2015, and Oversight assumes these deductions would first be claimed on 2015 tax returns filed beginning January 2016 (FY 2016).

**This proposal could reduce Total State Revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE FUND</b>			
<u>Revenue reduction</u> - additional deduction for storm shelter Section 143.115	\$0	\$0 to <u>(\$120,000)</u>	\$0 to <u>(\$120,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>\$0 to (\$120,000)</u></b>	<b><u>\$0 to (\$120,000)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b>\$0</b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

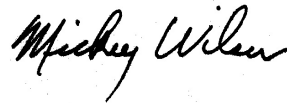
FISCAL DESCRIPTION

This proposal would authorize a one-time income tax deduction to a taxpayer for the cost of construction or \$5,000, whichever is less, of an American made storm shelter. Deductions under this program would be limited to \$2 million, and would be allowed on a first-come, first-served basis.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State  
Joint Committee on Administrative Rules  
Office of Administration  
    Division of Budget and Planning  
Department of Public Safety  
    State Emergency Management Agency  
Department of Revenue



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January 17, 2014

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January 17, 2014